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MONEY

RESERVE BANK OF PHILADELPHIA

NOVEMBER

1958

capital spending: down again

**the clothes-buying man:
more lemming than peacock?**

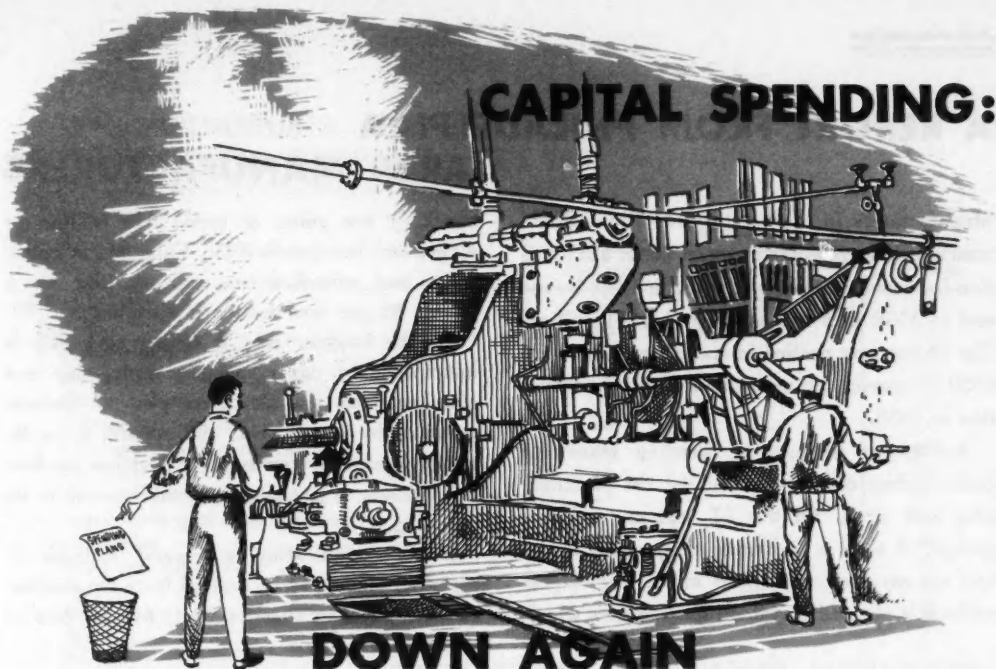
business review

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Business news is encouraging. Gross National Product took a good-sized jump in the third quarter of the year. Housing starts are on the upswing. The new automobile models seem to be catching on. Appliance sales are stronger. People are eating expensive foods, and buying good clothes.

In other words, the economy is in—or seems to be in—a recovery phase. Our business system seems poised and ready for “booming prosperity.” Some parts of the economy, however, are not as yet responding. This isn’t surprising. In any society where free choice is maximized some parts of the economy grow more rapidly than others, and some decline. But it would be unusual if the economy were to move through a

recovery phase into prosperity without an upturn in capital spending.

Spending by manufacturers on new plant and equipment ordinarily is responsive to and has a large impact on business activity. An increase in this spending reflects optimism on the part of manufacturers, and gives a feeling of optimism to the rest of the economy. It is important, therefore, to try to ascertain how much manufacturers are going to spend on new plant and equipment.

This Bank’s survey of capital spending plans is limited geographically to manufacturers in the Delaware and Lehigh Valleys. In the past the area has usually, but not always, moved in the same direction as the rest of the nation. For 1959, manufacturers in this area say they are going to cut back spending by about 11 per cent.

As this article was going into print news came to us from the McGraw-Hill Survey of Capital Expenditures. This survey of manufacturers throughout the nation indicated spending in 1958 declined about 26 per cent below 1957 levels. In the Philadelphia area the decline was about 20 per cent. McGraw-Hill showed a 3 per cent decline planned by manufacturers for 1959. In Philadelphia the decline planned is 14 per cent.

A REPORT FROM PHILADELPHIA AREA MANUFACTURERS

Manufacturers in the eight-county Philadelphia area say they are going to spend about \$271 million for new plant and equipment in 1959. By the end of 1958 they will have spent \$314 million. The 14 per cent decline in spending planned for 1959 compares with an actual 20 per cent reduction in 1958.

Anticipated declines in spending plans are fairly widespread throughout the list of industries and firms. Of the 17 separate industry groups, 11 show a decline in prospect for 1959; and six say they will spend more. The largest cutback is planned by petroleum refineries which

say they are going to spend \$19 million or 42 per cent less than in 1958. Firms in the instruments and miscellaneous category look for a sizable 35 per cent decline in spending.

On the brighter side, a 46 per cent gain is anticipated by paper makers; stone, clay and glass products manufacturers plan to increase spending by 44 per cent; and apparel firms, by about the same percentage. The electrical machinery industry is planning a \$5 million rise in its spending.

Evidence indicating a general softness in spending plans may be derived from the number of firms planning changes. Forty-five per cent of

1959 CAPITAL EXPENDITURE EXPECTATIONS OF MANUFACTURERS IN THE PHILADELPHIA METROPOLITAN AREA

(In millions of dollars)

Industries	Total actual expenditures 1958	Anticipated expenditures 1959	Per cent change
All manufacturing	\$314.2	\$270.5	- 13.9
Durables	133.5	130.4	- 2.3
Lumber and furniture	2.7	3.3	+ 22.3
Stone, clay and glass	9.1	13.1	+ 44.0
Primary metals	56.4	51.2	- 9.2
Fabricated metals	19.6	16.9	- 13.8
Machinery (excluding electric)	9.9	11.7	+ 18.2
Electrical machinery	15.5	20.5	+ 32.5
Transportation equipment	9.1	6.4	- 29.7
Instruments and miscellaneous	11.2	7.3	- 34.8
Nondurables	180.7	140.1	- 22.5
Food and tobacco	23.2	19.5	- 15.9
Textiles	5.0	3.3	- 34.0
Apparel	1.6	2.3	+ 43.8
Paper	12.1	17.7	+ 46.3
Printing and publishing	10.9	7.4	- 32.3
Chemicals	52.5	44.8	- 14.7
Petroleum and coal	69.1	40.0	- 42.1
Rubber	5.7	4.7	- 17.5
Leather	0.6	0.4	- 33.3

CAPITAL EXPENDITURES:
1959 ANTICIPATED COMPARED WITH 1958 ACTUAL
 (Philadelphia Metropolitan Area)

Industries	Per cent of Firms		
	Higher	Same	Lower
All manufacturing	32	23	45
Durables	40	17	43
Lumber and furniture	30	35	35
Stone, clay and glass	39	11	50
Primary metals	30	13	57
Fabricated metals	36	13	51
Machinery (excluding electric)	50	24	26
Electrical machinery	55	13	32
Transportation equipment	25	8	67
Instruments and miscellaneous	32	9	59
Nondurables	27	27	46
Food and tobacco	33	16	51
Textiles	11	39	50
Apparel	24	44	32
Paper	41	22	37
Printing and publishing	29	14	57
Chemicals	46	4	50
Petroleum and coal	38	0	62
Rubber	25	25	50
Leather	26	39	35

all firms in the area plan to trim capital spending in 1959. Just 32 per cent look for an increased volume of spending over 1958. Within industry groupings, more firms say increase than decrease in only three cases—machinery, electrical machinery, and paper.

The decline is surprising

There is no denying that another year of decline in manufacturers, spending on new plant and equipment is disappointing and somewhat surprising. Locally, last spring manufacturers said they thought they would spend about the same amount in 1959 as in 1958. Nationally, capital spending totals seem to be flattening out in the last part of 1958. There is expectation of some upturn in 1959.

It is especially surprising that the decline envisaged for 1959 is about the same as was expected this time last year for 1958. At the time this survey was made a year ago business conditions were sharply different. Activity and employment measures were declining. Gloom and pessimism were everywhere apparent. Firms projected a 13 per cent decline. Now, with employment and activity measures rising, firms project a 14 per cent decline. The mood is changed, but the projection remains the same.

There is one constant in this picture that, in part, may explain the similarity of the forecasts. Last year at about the time these forecasts were being made manufacturers had a good bit of excess capacity, and this year the same is true. In the fourth quarter of 1957, firms on the aver-

age were operating at 80 per cent of capacity. In the fourth quarter of 1958, they estimate they will be operating at 76 per cent of capacity. It is also significant that manufacturers project operations at 76 per cent of capacity for the first quarter of 1959 and 78 per cent for the second quarter. In other words, operations by mid-1959 still may not be back to so high a percentage of capacity as in the final months of 1957.

This overhang of excess capacity seems to be the most logical reason for the pessimistic forecast for 1959.

More jobs by March

Employment in manufacturing has been running below year-ago levels each month since August 1957. If manufacturers' anticipations are realized, however, employment will exceed the year-

ago total by March 1959.

Manufacturers were asked to project December 1958 and March 1959 employment estimates. The table below summarizes their replies.

Their estimates would add up to about 517,500 employed in manufacturing in December 1958, and 522,700 employed by March 1959. Last year the area suffered a sharp decline in employment between December and March.

Production on the upswing

Manufacturers were asked again to project production plans from quarter to quarter. Production estimates seem somewhat more buoyant than those of last spring, and about the same as a year ago.

In the first chart, the forecasts made last spring for the third and fourth quarters of 1958

EMPLOYMENT PROJECTIONS: PHILADELPHIA METROPOLITAN AREA

Industries	Actual		Estimated	
	September 1957	September 1958	December 1958	March 1959
All manufacturing	552.2	520.7	517.5	522.7
Durables	265.2	244.7	242.1	245.7
Lumber and furniture	9.4	9.5	9.2	9.3
Stone, clay and glass	13.9	12.3	12.3	12.5
Primary metals	38.3	34.4	35.2	36.4
Fabricated metals	41.7	39.8	39.5	40.2
Machinery (excluding electric)	49.4	42.5	41.5	41.7
Electrical machinery	54.0	50.1	50.8	51.3
Transportation equipment	31.3	31.4	29.0	29.3
Instruments and miscellaneous	27.2	24.7	24.6	25.0
Nondurables	287.0	276.0	275.4	277.0
Food and tobacco	51.4	48.9	49.0	48.9
Textiles	41.3	39.5	38.4	39.8
Apparel	63.3	57.9	58.7	59.0
Paper	20.9	19.7	19.4	19.6
Printing and publishing	34.7	37.7	37.5	37.2
Chemical	36.3	35.4	35.2	35.1
Petroleum and coal	23.0	22.1	21.9	21.9
Rubber	9.1	8.6	8.8	9.0
Leather	7.0	6.2	6.5	6.5

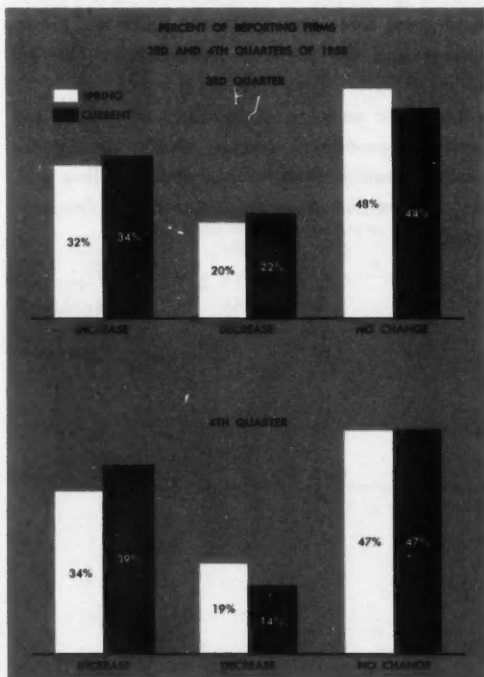
are compared with the current estimates for these quarters. As can be seen, more firms now say increase and fewer firms say decrease than was true 6 months ago.

The next chart compares the projections made a year ago with the projections made in the current survey. These projections are quite similar. No distinct trend is apparent in these statistics.

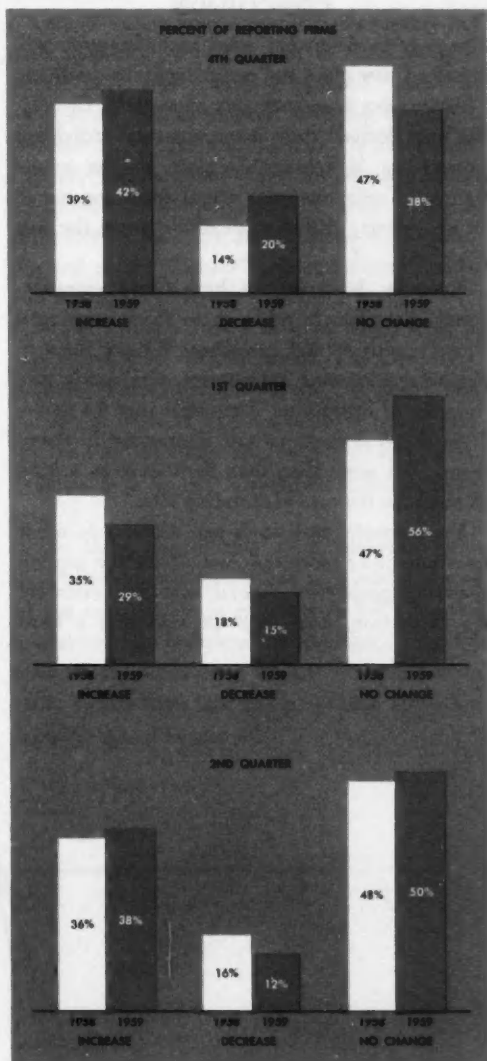
Inventories in better shape

Manufacturers appear to feel that inventories are at appropriate levels. This year, 71 per cent of all firms say there will be no change in inventory over the next 12 months. The rest split pretty evenly on increase and decrease.

CURRENT PRODUCTION FORECASTS COMPARED WITH SPRING FORECASTS



CURRENT PROJECTIONS COMPARED WITH YEAR AGO PROJECTIONS



As the chart on this page shows this is a more optimistic appraisal of inventories than in the survey last fall. More firms look for an increase; fewer firms see declines ahead.

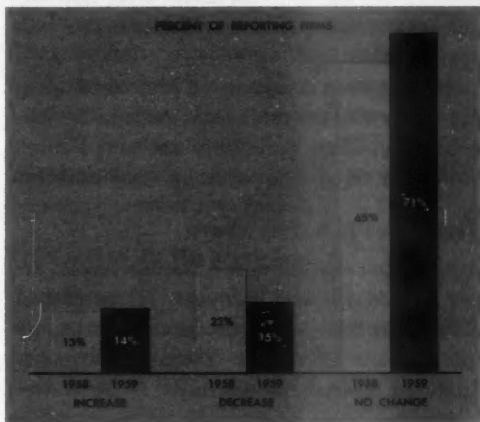
CONCLUSION

One way to determine what manufacturers will spend on new plant and equipment is to ask them. This we have done each year since 1946. Usually, the total derived from manufacturers' individual projections is reasonably close to the actual figure. In only one year actual spending moved in an entirely different direction from the one projected.

Recently, however, we have asked manufacturers questions in addition to those concerned directly with capital spending. We ask them to project employment, inventories, production, and capacity of operations. The totals that we derive from these projections are interesting in themselves. But more than that, they serve as a kind of check on the capital-spending total.

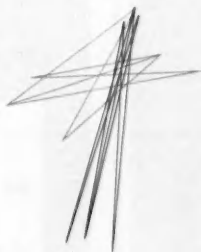
For example, two years ago answers to other questions were more optimistic than the capital-spending projection. Actual spending exceeded the projection. Last year we said that a hard

INVENTORY EXPECTATIONS BETTER THIS YEAR



reading of the survey itself indicated that "it's a good guess that some additional firms will lower outlays and the planned decline might be an underestimate." They did and it was.

This year answers to questions other than on capital expenditures seem a shade more optimistic. Possibly, therefore, capital spending will not fall so far as manufacturers' projections suggest.



THE NEIGHBORING AREAS

Last year for the first time areas adjacent to the Philadelphia metropolitan area were included in this survey. Again this year we have reports from the Trenton, Wilmington, and Lehigh Valley Metropolitan areas.

In two of these areas spending plans bear out Philadelphia's experience. In the Wilmington area, however, manufacturers' plans point to an increase in spending of 19 per cent. It is significant that in this area it is not just a few large firms increasing spending and more than offsetting numerous decreases. Of the firms planning a spending change in 1959 more say increase than decrease. The Wilmington metropolitan area consists of Salem County in New Jersey and New Castle County in Delaware. Of course, the chemi-

cals industry dominates the area, accounting for more than 40 per cent of total value added by manufacture.

Lehigh Valley area manufacturers plan to cut back spending by 18 per cent in 1959. In spite of the fairly sharp cutback planned, nearly as many firms plan to increase spending as plan to decrease it. In this area industry is diversified. Primary metals, machinery, and transportation equipment are important. The area produces more cement than any other district in the country, and on the "lighter" side of industry, textile and wearing apparel are important.

In the Trenton area a slide of 16 per cent in capital spending is anticipated. The downtrend is rather widespread in that area. A larger proportion of firms in Trenton plans to trim spending than in any other area analyzed. In general, Trenton is a widely diversified manufacturing area.

The three neighboring areas combined with the Philadelphia metropolitan area add up to an 11 per cent decline in spending in 1959 for this manufacturing heartland of the East. This follows on the heels of a 24 per cent decline in 1958. Let us hope that the projection is blacker than the actual event.

CAPITAL EXPENDITURES: 1959 ANTICIPATED COMPARED WITH 1958 ACTUAL—TRENTON, WILMINGTON, LEHIGH VALLEY, AND PHILADELPHIA METROPOLITAN AREA

(In millions of dollars)

	Total actual expenditures 1958	Anticipated expenditures 1959	Per cent change
Trenton	\$ 11.9	\$ 10.0	- 16.0%
Wilmington ...	47.0	56.0	+ 19.1
Lehigh Valley ..	39.5	32.3	- 18.2
Philadelphia ...	314.2	270.5	- 13.9

THE CLOTHES-BUYING MAN:



MORE LEMMING THAN PEACOCK?

The lemming is a small, mousy animal which runs in packs over the Arctic tundra. Dressed in gray fur suits, each one looks exactly like his neighbor. There are no individualists among lemmings.

The male peacock, on the other hand, is a very fancy fellow. A splendid dresser, he proudly parades his finery for all to see.

When it comes to clothes, the American male has long been considered more lemming than peacock. His haberdashery habits were characterized by a deep-down disinterest and a strong desire to conform. Now, some experts think that men are changing. With the wide, almost unprecedented acceptance of Ivy-type clothes has come the hope that, finally, men are taking a serious interest in style.

This is a mouthwatering prospect for those in the men's wear business. They feel that style-conscious spenders could bring new prosperity to the industry which long has suffered from consumer lethargy. Style would create obsolescence, they say. Men would buy new clothes when styles changed—as women do—instead of waiting until their old garments wear out.

Manufacturers and merchants are encouraged. Still savoring what Ivy did for sales figures, they are now preparing a second venture in style—the Continental, a tightly tailored import from Europe.

Yet it is by no means certain that men have suddenly changed and become stylish dressers. The success of Ivy may be deceiving. It may stem from other causes not nearly so favorable to the industry.

A SHRINKING SHARE OF PROSPERITY

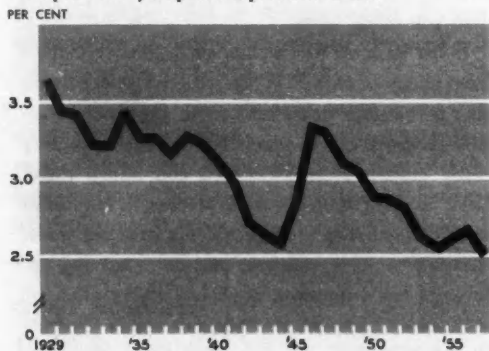
The men's wear industry has not grown in step with the over-all economy in the postwar period. Total sales have increased but not nearly so fast as the consumer's ability to buy. As a percentage of disposable income, purchases of men's and boys' clothing have trended downward from 3.3 per cent in 1946 to 2.5 per cent today.¹

True, 1946 spending was swelled by returning veterans' purchases of "civvies." But neither 1946 nor any other postwar year nears the 1929 record—3.6 per cent of income.

The drop as a percentage of income may not look particularly alarming—it amounts to less than a percentage point since 1946—but it has been quite serious in effect. To illustrate: if male consumers had spent the same percentage of income for clothing in the years from 1950 to 1957 as they did in 1929, sales for the eight years would have been almost \$20 billion higher than they actually were. If even the 1949 rate had been

PROFILE OF A PROBLEM

Expenditures for men's and boys' wear as a per cent of disposable personal income



¹ No breakdown is available between men's and boys' wear. However, spending for boys' wear should have increased in the last decade due to the high postwar birth rate. It is likely that men's wear spending, taken alone, has been even weaker than the total figures indicate.

maintained, \$7 billion of extra sales would have been gained in the 1950's.

There are a number of reasons to explain this poor showing. Some are related to our modern mode of living, others to the male state of mind. Let us first present the traditional caricature of man's attitude about his clothes.

Clothes don't make the man

Men dress negatively while women dress positively. Men would rather blend in than stand out. Sure, they are concerned about their personal appearance, but this usually means wearing appropriate clothes and being well-groomed.

It has been said men dress to please their bosses and business associates, not their wives. Yet even this statement may be too positive. Maybe it would be better to say men dress in order not to displease other men. The fear of group disapproval keeps the group looking alike just as the man who dares to wear Bermuda shorts to the office is usually laughed back into long pants the next day.

We should point out that like any caricature, this one is only generally accurate. There are exceptions, of course. Some men—college students, entertainers, and others—have always been very concerned about clothes. And even the mass market has shown some interest in style. Plaids and shades of green for suits are revived once in a while and, as we have seen this year, "old-timers" like the straw skimmer and the derby sometimes return to create a flurry. But for the most part, style has occurred in low-key, repetitive cycles that have inspired more talk than spending. How many men in your crowd are wearing derbies right now?

In addition to the average man's negative attitude about clothes, some contemporary factors have slowed expenditures for men's wear.

Stiff competition

Men's wear has been losing out in competition with other demands for the consumer's dollar. The American male is a pretty good husband and father and his family comes first. Dad usually ranks things that benefit the whole family above his personal needs and never before has the selection been so great. A house in suburbanland, new automobiles, work-saving appliances, better food, vacation trips, a week-end boat—that's where his pay check goes. It's father's clothing budget that takes a trimming. How often has he said, "With a little patching, I can wear this suit another year and we'll take the money and go to THE CONTINENTAL STYLE the shore."

Don't feel too badly for the "old man" though. He doesn't think that he is making a real sacrifice. He wants these other things more than clothes. Look what happens when father manages to set aside a little money for himself. He often chooses golf clubs, a shot gun or fishing rod, maybe a power tool instead of a new suit.



The power of women

Maybe the ladies have had a dainty hand in the lag of spending for men's wear. They have had the opportunity. According to latest estimates, women buy as much as 50 per cent of their husband's clothes—probably by default.

We think we have found a motive. Studies have shown that the typical family's total clothes budget is quite fixed. The less spent for men's wear, the more left for mother and daughter.

But, you say, women certainly want attractive looking husbands. We agree—neat and presentable husbands, but not necessarily stylish ones. It could be that many women like their husbands to be dull dressers as a neutral background for their own finery.

Not much "snob" appeal

Another reason for the buffeting of men's clothing in the budget is that it hasn't lived up to its potential as a status symbol. Women, in their furs and exclusive gowns, have little trouble showing the world just who they are. Clothes won't turn the same trick for men.

In men's garments, extra cost usually means better fabric, more skillful tailoring, and longer wear. These are practical features, to be sure, but not eye-catching. Look at the men around you and see if you can guess the cost of the clothes they are wearing. Can you tell who paid \$60 for his suit and who paid \$120? It's harder than you might think.

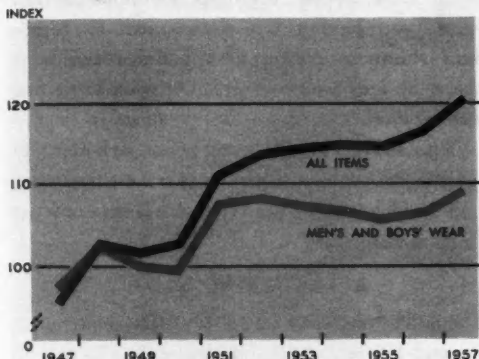
If it's difficult to distinguish expensive clothes from cheap ones, and if the same styles are available in bargain basements as in the most exclusive shops, there is much less incentive to buy costly clothes even when you can afford them. Thus, as their incomes have increased, men have leaned to expressing their success in other ways. A man's car now tells you that he is moving up. So does his swimming pool, his motor boat, or his country club membership, but not necessarily his wardrobe.

More stable prices

Here's a happy bit of news: inflation has touched

BARGAINS ON YOUR BACK

consumer price index (1947-49 = 100)



men's wear quite lightly in the postwar period. Prices are up 12 per cent since 1947, compared to 26 per cent for the general consumer price index.

Competition is keen in the industry and a certain amount of chronic over-capacity exists. Supply has been ample and demand comparatively weak. This combination always puts pressure on prices.

The growing shift to man-made fabrics has been important, too. Their wholesale price has declined 25 per cent in the last decade. In contrast, prices of Nature-made fibers, like wool and silk, are above their 1947 levels.

Comparative price stability explains a little over one-third of the decline in clothes spending as a percentage of income. This slower-than-average price rise has tended to deflate clothing expenditures. It takes a smaller share of income today to maintain the same standard of dressing.

Other influences

Our male population has increased rapidly at both ends of the age scale. We have a larger proportion of young boys and grandfathers than we had 20 or even ten years ago. Both these

groups are relatively light spenders for clothes. Then, replacement spending has been delayed to the extent that the new miracle fabrics are longer-lasting and easier to maintain.

Man's changing wardrobe mix—relatively more casual clothes—also may have influenced the spending figures. The change tends to lower the average cost per garment. A sport coat plus slacks costs less than a suit, and sport shirts are often cheaper than dress shirts. The shift to cheaper items may have served as a drag on total expenditures.

What Ivy did for the industry

We have been discussing the reasons behind the generation-long sluggishness in men's wear spending. They may now be of historical interest only. Demand has begun to perk up in the past few years.

This is what happened to spending for men's and boys' wear based on a brand new revision of the figures:

The total expenditure rose \$1.1 billion between 1954 and 1956.

The percentage of disposable personal income moved up in 1955 and 1956, reversing a long down trend.

Men's and boys' share of total clothing expenditures rose 2 percentage points from 1954 to 1956.

Per capita spending in constant dollars jumped sharply in 1955 and 1956.

Between 1954 and 1956 each series, in its own way, set a postwar mark—the biggest dollar increase, the only upturn as a percentage of income, the high point in both percentage of total clothing expenditures and in per capita spending.

All four indicators dropped again in 1957, but this isn't necessarily disturbing. It might be attributed to normal recession behavior. Men's

WHAT WE MEAN BY IVY

The Ivy League suit is a form-fitting, padless, pleatless garment long available from a few Eastern tailors.

The Ivy style is something else again. It derives from the Ivy League suit but is much more inclusive. It is not important to say this garment is Ivy and this one is not. Ivy is more of an influence than a definition, more of a general effect than a limiting list of characteristics.

Ivy's influence pervades the entire wardrobe. In coats and suits you see it in dark shades, single-breasted fronts, natural shoulders, and relatively trim tailoring. Ivy shows up in sports clothes as dark, rich stripes, muted tones, and neat patterns. In hats, it means narrower brims and smaller crowns.

clothing is relatively durable and its purchase may be postponed.

Experts agree that the wide acceptance of the Ivy style is primarily responsible for this recent improvement. But they differ sharply on what this acceptance means and on what is likely to happen next.

Optimists expect clothing expenditures to bounce back now that economic recovery has begun. They believe that the popularity of the Ivy style heralds a basic change in buying psychology. This group thinks that man's interest in clothes has finally been aroused and that the industry can parlay this interest into continuing prosperity.

Then, there are the pessimists. They are thankful for the recent sales experience but they don't feel that the Ivy style signifies any basic change in consumer attitudes. The pessimists say it is possible, even likely, that the acceptance of Ivy stems from what has been wrong with demand all along—the male urge to conform. They call the Ivy-type suit a somber-shaded “uniform” and

claim the American man may have put it on in order to satisfy his “lemming” instincts. He may have been buying Ivy clothes just to recede further into the background. And now that he is there, he may well be content to spend less and less for clothes.

Who is right, optimist or pessimist? Perhaps we can find a clue to the answer in the history and development of the Ivy style. Here's how we think it happened.

A SARTORIAL SAGA

The wide popularity of the Ivy style occurred in the mid-1950's but the foundations for its acceptance were laid much earlier.

After World War II

Returning veterans had to stock up on civilian clothes. They often found that what the moths had left no longer fit. Their shopping sprees brought new life to the industry and new color to clothes. President Truman's Key West sport shirts reflected the mood of the day.

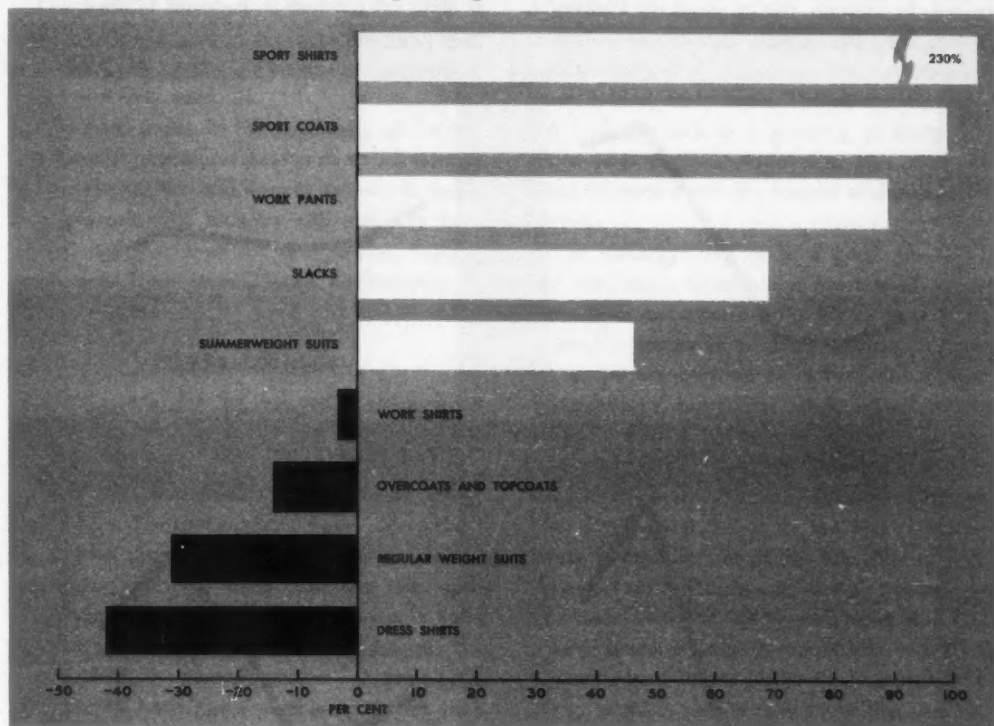
The new clothing preferences were more of a reaction to the drabness of war in general than to uniforms in particular. Uniforms, in fact, sowed the seeds of many postwar clothing trends. They had a lot of good points. Uniforms were comfortable, generally light-weight, trim, and single-breasted. These features started men thinking about their civilian clothes.

Cool, comfortable, and casual

The postwar decade has had a number of economic and social hallmarks: the migration to suburbs, improvements in mass communications, higher incomes and greater leisure, the spread of education, more home-centered activities, the growth of sports, etc. All have been discussed both well and widely and need no more than mention here.

CHANGES INSIDE THE WARDROBE

Number of garments cut—Percentage change 1947-1956



Along with these developments—perhaps out of them—grew a general informality in living. Stiffness and stuffiness in manners and tastes gave way to a more relaxed casualness.

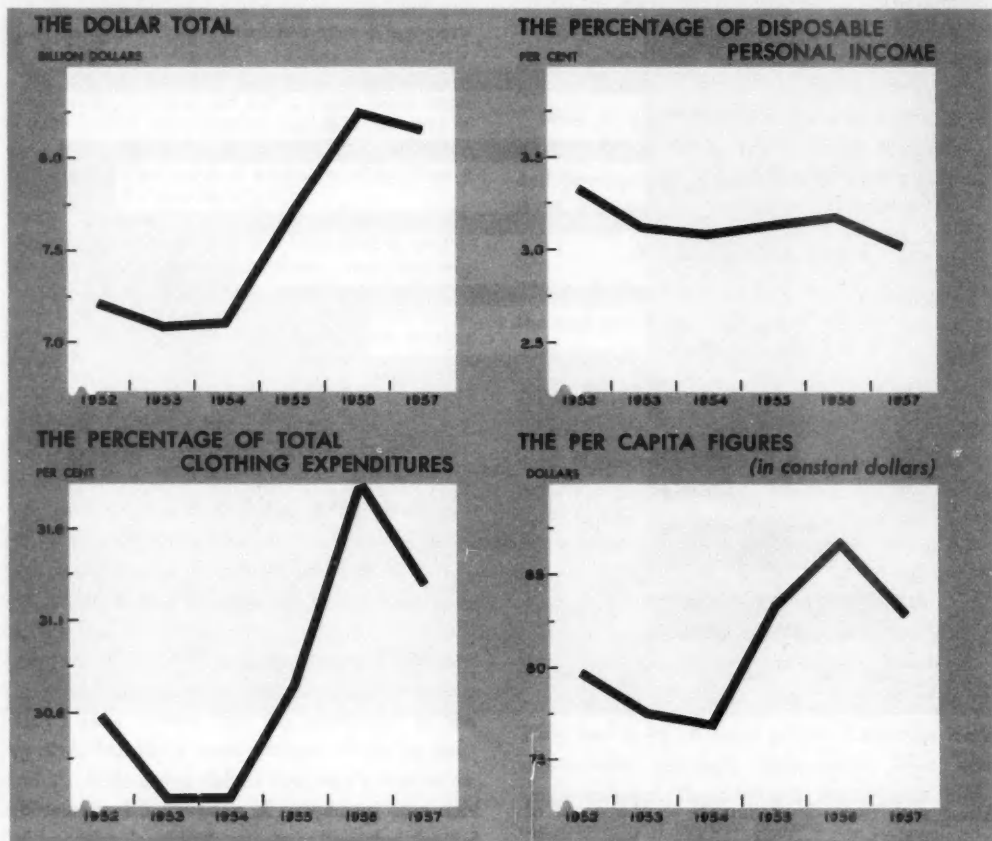
In clothing, the informal influence first appeared as a shift to sports and casual wear. Sales of sports shirts, for example, have risen a whopping 230 per cent since 1947.

For quite a while dress suits seemed almost oblivious to the new casual trend. As late as 1950, the double-breasted model was the "best seller."

Men went on buying it, although it looked stiffly formal buttoned and impossibly sloppy unbuttoned. It was baggy and uncomfortable, too hot for well-heated, modern homes, offices, and cars. In short, by 1950 the double-breasted suit was an anachronism. Men were ready for an opportunity to ditch it.

They soon got the chance. A new figure suddenly came into national prominence. The New York businessman—the young man with a brief case—became something of a national hero.

THE IVY INFLUENCE IN MEN'S AND BOYS' WEAR SPENDING: NEW STRENGTH IN . . .



When he burst into the limelight, he was wearing what he, and his father before him, had always worn—the Ivy League suit, so-called for its popularity among students and graduates of certain Eastern colleges.

Mr. America didn't rush right out and buy an Ivy League suit but he did begin to take notice. The style was in tune with modern tastes. It was

clean-cut and casual but still dressy enough for most occasions. It looked good unbuttoned, and was cool and comfortable either way.

Ivy came in by evolution, not revolution. Men bought it when they happened to need another suit. Still it took only a few years to sweep the country. In 1950, it was estimated that 90 per cent of all suits made were double-breasted; now,

over 97 per cent are single-breasted and most of these reflect the Ivy influence.

The point of the story is that the Ivy style is well-suited to our modern way of life. Ivy fit in with the postwar way of living and because it did, was widely accepted.

It is hard to see in the popularity of the Ivy "uniform" a general awakening of stylish interest in men's wear. Men still seem to be more lemming than peacock. The industry will probably have to get along, at least for the present, without much help from style-induced obsolescence in their products.

SILVER LININGS

Forgetting style for the moment, there are several important reasons for optimism about the industry's future.

The economy contains some built-in boosts for men's wear. The postwar baby boom means there are a great number of boys who will soon grow into men—and will begin dressing like men. These men of the future should provide a solid foundation for clothes-spending during the 1960's. And, if economic predictions come true, they should have more purchasing power than

ever before.

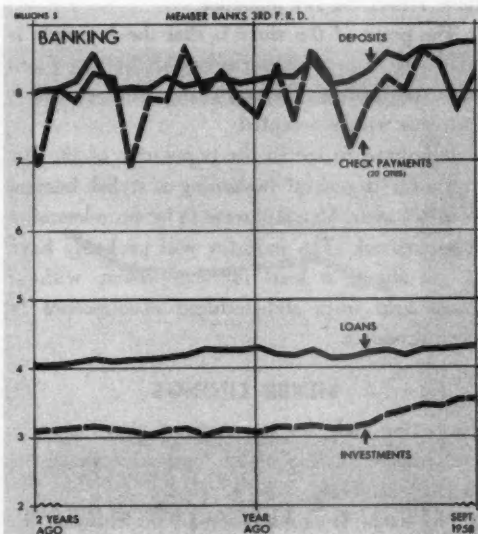
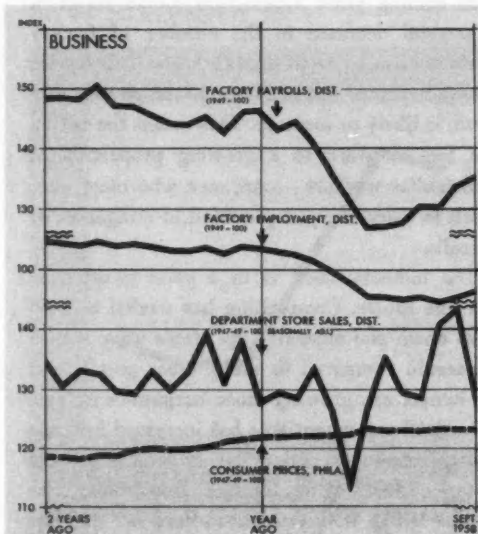
In coming years automation should result in a gradual decrease in the number of factory workers. Employment in the sales and service trades, in offices and in governments, on the other hand, is likely to increase. This means the nation can look forward to a growing proportion of white-collar workers—more men who must wear a suit to work every day instead of dungarees or overalls.

The industry itself is in a good position to face the future. Competition has tended to keep costs down and efficiency up. Men's wear is now a bargain compared to many other goods, and consumers are growing more bargain-conscious.

Institutional advertising has increased in scope and effectiveness under the leadership of the American Institute of Men's and Boys' Wear. The slogan "Dress well, you can't afford not to," has been widely publicized in the last year or two and future advertising campaigns are planned.

Even style holds promise. It may not be much of a factor now but that doesn't mean it can't be a force in the future. Advancements in psychology and advertising techniques may someday find a way to make men behave more like peacocks.

FOR THE RECORD...



SUMMARY	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	Sept. 1958 from		9 mos. 1958 from year ago	Sept. 1958 from		9 mos. 1958 from year ago
	mo. ago	year ago		mo. ago	year ago	
OUTPUT						
Manufacturing production	+1	-9	-12	+3	-5	-9
Construction contracts	-5	+1	-4	-7	+26	+7
Coal mining	+13	-18	-25	+1	-15	-21
EMPLOYMENT AND INCOME						
Factory employment (Total)	+1	-7	-7	+2	-7	-9
Factory wage income	+1	-7	-10	....	....	....
TRADE*						
Department store sales	-10	+1	-1	-7	0	-2
Department store stocks	+2	-2	....	+2	-2	....
BANKING						
(All member banks)						
Deposits	0	+7	+4	-1	+6	+5
Loans	0	+16	+9	+1	+19	+13
Investments	+1	+14	+6	-2	+19	+12
U.S. Govt. securities	0	+23	+17	+1	+20	+16
Other	0	+21	+21	+5	+3	+4
Check payments	+6	+8	+21	+5	+3	+4
PRICES						
Wholesale	....	+1	+2	0	+1	+2
Consumer	0	+1	+2	0	+2	+3

*Adjusted for seasonal variation.

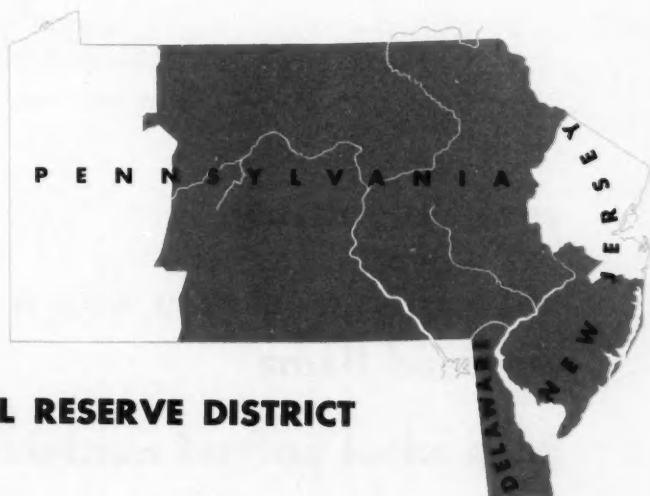
‡20 Cities

‡Philadelphia

LOCAL CHANGES

LOCAL CHANGES	Factory*				Department Store				Check Payments	
	Employ- ment		Payrolls		Sales		Stocks			
	Per cent change Sept. 1958 from		Per cent change Sept. 1958 from		Per cent change Sept. 1958 from		Per cent change Sept. 1958 from		Per cent change Sept. 1958 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Lehigh Valley.	- 2	-11	- 1	-17	....	....	....	....	-15	+ 2
Harrisburg ...	- 2	-14	- 3	-18	....	....	....	....	+ 3	+ 9
Lancaster	+ 1	- 2	+ 3	- 2	+ 2	+18	+12	+ 8	+11	+ 9
Philadelphia .	+ 1	- 6	+ 2	- 3	+30	+ 1	+13	- 2	+ 6	+ 6
Reading	+ 2	- 3	+ 5	- 2	+17	+ 1	+10	- 1	+ 5	+ 1
Scranton	+ 1	- 7	- 2	- 8	0	+ 4	+12	- 1	+ 6	+ 7
Trenton	0	-16	+ 1	-17	+ 9	+ 1	+ 4	- 1	-15	+ 6
Wilkes-Barre .	+ 1	- 5	+ 2	- 4	0	- 7	+ 9	- 3	+10	+ 3
Wilmington ..	+ 4	- 5	+ 5	0	+ 5	+ 2	- 1	- 2	+42	+35
York	0	- 2	- 1	0	- 4	+ 5	+ 8	+ 5	+ 5	+ 2

*Not restricted to corporate limits of cities but covers areas of one or more counties.



THIRD FEDERAL RESERVE DISTRICT

BUSINESS REVIEW

FOR THE RECORD...

THEY WERE NOT THE ONLY ONES

